

The Impact of Demographic Variables on the Financial Performance of Women Entrepreneurs in India

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Abstract

It has been observed that the societies that discriminate against women have higher poverty and lower standard of living and economic growth comparatively. As such, participation of women in entrepreneurship seems to be a pre-requisite for the growth and development in that sector, resulting in overall economic growth. In line with this view, the present paper aims to study the impact of demographic variables on the financial performance of women entrepreneurs. The research was conducted on 100 women entrepreneurs selected through convenient random sampling technique. The hypothesis under study was tested using Pearson's Chi-Square test. The results of this study implied that demographic variables do significantly impact the financial performance of women entrepreneurs in India.

Introduction

In developing economies, entrepreneurship has gained attention in the last century. Entrepreneurship development has been considered a significant way to promote self-employment, which can lead to sustained economic development in developing countries. Experience of developed and developing countries including Japan, China, Korea, Philippines, and Taiwan show that there is an alternative path for economic growth rather than the migration of rural labour force into the urban sector (EDI, World Bank). Moving on this alternative path, wide spread industries could be organised by exploiting entrepreneurial

ability of the rural people along their physical ability. Thus, stimulating rural entrepreneurial skill is a critical pre-requisite for the economic development of developing countries like India, where rural segment account for the majority of population.

In India, the centre and the state government pay special attention to the development of entrepreneurship which is reflected in the industrial policies since 1991. In 1991, with opening of market and ensuing global competition, the Indian government had initiated several measures to strengthen the competitiveness of small scale sector.

Entrepreneurs as the Essential Human Resources

Economic growth of any nation is possible only by the optimum utilisation of the physical resources available. To exploit these physical resources of the economy to optimum level, human resources are needed. It is the entrepreneur who endeavours for the commercial exploitation of the physical resources. Hence, entrepreneurship is the ability and skill which involves taking risk and initiating innovations.

In the developed economies the physical resources have been exploited and these nations have already attained their positions with the help and support of efficient and innovative entrepreneurs. In developing economies, the commercial exploitation of physical resources by the entrepreneurs is still in its inception stage. Developing economies need to create opportunities for the individuals

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of the society so that they can develop entrepreneurial skills and can play a part in the commercial and economic progress of the nation.

Entrepreneur and Economic Development

Economic growth and development of any country are determined by the availability of human, physical and financial resources. Since physical resources of any economy are a scarce, a higher level of growth can be achieved by acquiring a larger quantum of human and financial resources along with technical progress. The pace of economic development can be accelerated through enterprising spirit. Indian economy is today flourishing with entrepreneurial activities. A country rich with material and capital resources cannot achieve economic development if it lacks in entrepreneurship skills. Hence, entrepreneur is the life blood of any economy.

Entrepreneurship and India

The birth of management started with India. India stood foremost in industry and business in the Ancient world. As per T.N. Srinivasan "India has been an entrepreneurial society and had the entrepreneurial skill but suppressed it for too long a time and now it is thriving".

As India is a diversified country, entrepreneurship in India is far more reaching and complex as compared to developed nations. Since the initiation of liberalisation and privatisation, the spectrum of entrepreneurship has changed rapidly. India has a long list of growing group of first-generation Indian entrepreneurs- such as HCL, Reliance, Godrej, Bharti, Infosys etc. who have generated a large scale of employment and significant wealth.

Thus, growing global opportunities along with entrammelling indigenous enterprise are contributing to make India potent for entrepreneurship. Goldman Sachs and Pricewater House Coopers, in their recent survey have estimated that by 2050, India's economy will be among world's leading economies

Women Entrepreneurs

Women entrepreneurs can be defined as the women or group of women who initiate, organise and operate a business enterprise. As per Indian Government, women

enterprise means an enterprise owned and controlled by a women having a minimum financial interest of 51% of the capital and providing at least 51% of employment generated in the enterprise to women. Women's role initially into the job market was to supplement family income. But today, women not only hold a significant position in the job market but also emerge as professionals and executives in many fields

Women have now started entering into the field of entrepreneurial activities which was once dominated by man. During the late fifties and early sixties, the western women made their first entry in the entrepreneurial activities. The development of entrepreneurship among women in India was made during seventies. It has now been recognised that women who account 50% of our population should be given an equal opportunity with men to move the destiny of the nation towards growth and development. Thus, various initiatives are being taken to create an environment conducive for growth of women entrepreneurship. In view of the above, it is timely to study the performance appraisal of women entrepreneurs.

Review of the Literature

There is no dearth of literature which talks about the impact of demographic factors on the financial performance of women entrepreneurs. For instance, Hisrich and Brush (1984) argued that women's education does not provide them with encouragement to actually enter high technology industry sector and leave them with no option to start a small business with little growth potential. Again Hisrich and Brush (1986) created a demographic profile of female entrepreneur and examined their motivation for starting business and their barriers to business success. In their research, the typical female entrepreneur was described as being a first born child, child of the middle-class family, after obtaining a liberal arts degree, she marries, has children and works as a teacher, administrator or secretary. Her first business venture in a service area begins after she attains age of thirty-five. Further, Hisrich (1990) and Haynes (2003) are of opinion that background, education, training and previous work experience of an individual can encourage entrepreneurial qualities. Hisrich (1990) also stressed that a good education is a pre-requisite for entrepreneurship as formal education will help women in forming and managing a business.

Also, Begum (2006) carried out a study and found that educated women in developing countries are still not interested in entrepreneurial activities. In these countries women who are illiterate or who are less educated are seen to be venturing into entrepreneurship.

Considering the age of women, OECD (2004) stated that women in developing countries start business in their late twenties and early thirties whereas women entrepreneur in developed countries start their business in their late thirties and early forties. OECD (2001) reported that women entrepreneur’s contribution to economic activity and employment is increasing as women owned business are coming a rapidly growing sectors of the business world.

Research Objective and Hypothesis

The objective of the research is to study the impact of the demographic factors on the financial performance of the women entrepreneur.

H0 = the financial performance of women entrepreneur is independent of demographic variables

Research Methodology

In order to study the above objective, questionnaire method was used to collect the primary data on women entrepreneurs in NCR. In order to minimise the respondent’s response error, closed-ended questions were used. The respondents responded the questions using Likert 5-point scale model. A sample of 100 women entrepreneur was chosen using a convenient random sampling method from the NCR region. The sample was collected from Gurgaon, Faridabad and Noida. To check the reliability and validity of the primary data, Cronbach’s Alpha was computed. The data so collected were tested using the Pearson chi-square test of independence. The chi-square test of independence can be used to analyse the frequencies of two variables with multiple categories to determine whether the two variables are independent. The null hypothesis for a chi-square test of independence is that the two variables are independent (not related). If the null hypothesis is rejected the conclusion is that the two variables are not independent and are related.

The demographic variables taken into consideration for studying the research objectives are educational qualification, age, marital status and family income.

Findings and Analysis

For checking the reliability and validity of the primary data Cronbach’s Alpha was computed and the value of the same for the present study is more than .70. This is a good indicator of reliability and validity.

Further, through questionnaire the following data relating to demographic profile of women entrepreneur were collected and the analysis was done using Pearson’s Chi-Square parametric test.

Table 1: Demographic Factors of Women Entrepreneur

Demographic Factors	Number	Percentage
Age:	100	
25-35		40
36-45		31
46-55		24
56-65		5
Education	100	
Graduates		37
Non-graduates		63
Marital Status	100	
Married		53
Unmarried		26
Divorced		13
Widowed		8
Family Income	100	
Upto 50,000		50
50,000- 100,000		34
Above 100,000		16

Table 1 depicts that majority of women entrepreneurs are non-graduates, young, married and belong to low income families. The table states that around 63 % women entrepreneur did not attend college and they are relatively young as majority of them range from age between 25-35. Data also show that majority of women entrepreneur are married and their family income is less than 50,000 pm.

Table 2: Result of Pearson Chi-Square Test of Independence between Demographic Variables and Financial Performance

Demographic Variables	Value of Chi-Square	Degree of Freedom	P-Value	Comparison with P-Value	Result
Educational Qualification	.384	1	.432	.432 > .05	No dependence
Age	6.432	1	.049	.049 < .05	Dependence
Marital Status	8.642	2	.006	.008 < .05	Highly Dependent
Family Income	11.414	3	.003	.003 < .05	Highly dependent

The explanation of the above table is as per following:

1. The value of Pearson Chi-square test between educational qualification of women entrepreneur and their financial performance is .384 with the P-value of .432.

P-value of .432 > .05

Thus, the financial performance of women entrepreneur is not dependent on their educational level.

2. The Pearson Chi-square value for dependence between age and the financial performance of women entrepreneur is 6.432 with the P-value of .045.

P-value of .045 < .05

Thus, the financial performance of women entrepreneur is dependent on their age.

3. The value of Pearson Chi-square test between marital status of women entrepreneur and their financial performance is 8.647 with P-value .006.

P-value of .006 < .05

Thus, the financial performance of women entrepreneur is highly dependent on their marital status.

4. The value of Pearson Chi-square test between family status of women entrepreneur and their financial status is 11.414 with the P-value of .003

P-value of .003 < .05

Thus, the financial performance of women entrepreneur is highly dependent on their family status.

Conclusion

The result of this study shows that the financial performance of women entrepreneurs is largely dependent on their demographic variables. Thus, following the conclusion it is important to understand the demographic patterns of women entrepreneur in India to identify the factors that motivate women entrepreneurs, the constraints they faces and the factors which lead to their better entrepreneurial performance.

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